ABSTRACT

Budgeting as a tool of planning, is closely related to the broader system of planning in an organisation. Capital budgeting is therefore related to decisions pertaining to fixed/long term assets refer to assets which are in operations and yield prudent return from the organisation. For any business, capital budgeting is employed to evaluate the expenditure decisions and to create benefits over a period of time. It is often said that, for any sound business qualitative and appropriate accounting tool is required to manage a business. Therefore, capital budgeting decisions are of paramount importance in financial decision making in the organisation.

The research was based on the stated objectives for proving the given hypotheses for the purpose of the study. The study was to measure and evaluate the financial performance of the manufacturing firm in Mumbai and Mumbai suburbs. The study also indicated that modern techniques of capital budgeting i.e. net present value, profitability index and internal rate of return were considered to be the most adopted techniques in the area of the study. The study also depicted the effectiveness of the capital budgeting techniques in manufacturing companies in Mumbai city and Mumbai suburbs. The study also analyses the effects of capital budgeting techniques on the financial performances and to identify the relationship between capital budgeting techniques and financial performance vis-à-vis to manufacturing companies working Mumbai city and Mumbai suburbs.

There were literature of reviews taken in regards to capital budgeting and its techniques in various part of the world like, South Africa, America, Canada, UAE, China, Pakistan, Japan, Korea and other countries. There were reviews which were also focused on many other parts of India like, Gujarat, Delhi, Goa, Bangalore, Kolkata and many others, but very few were there in Mumbai. The reviews gives the insight of works done on capital budgeting and its techniques with special reference to manufacturing firms and measures the gap in financial practices and capital budgeting techniques. The study also suggests the appropriate measures to overcome the existing gap in the area of the study.
The research methodology of the study was based on exploratory method. Mumbai city and Mumbai suburbs were selected as the study area. Random sampling method has been used to select the respondents. The samples were selected from 225 companies i.e. one respondents each from 225 manufacturing companies from Mumbai and Mumbai suburbs. The survey was given to chief executive officer, chief financial officer, financial managers and other associates of companies to fill it and to give their inputs on the same. The questions were close ended and included 14 questions in the structured questionnaire. There were, 300 samples selected for the study and out of that 225 respondents from the companies fully filled the questionnaire and handed over to the researcher.

For the purpose of the study, the data were analyzed and interpreted through SPSS software to get the results. The hypotheses were proved and showed the positive significance in the study area. The study reveals that capital budgeting modern techniques were more actively used than the traditional methods. The study also reveals that as the age of the company, annual turnover of company and volume of capital budget increase the adoption and use of modern techniques are more than the traditional methods of capital budgeting.